

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2014 <under Japanese GAAP>

Company name: **RISO KAGAKU CORPORATION**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6413
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Scheduled date to file Quarterly Report: November 13, 2013
 Scheduled date of dividend payment commencement: –
 Preparation of supplementary information on quarterly business results: Yes
 Holding of briefing on quarterly business results: Yes (for analysts, in Japanese)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the six months of the fiscal year ending March 31, 2014 (from April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2013	39,057	10.7	2,119	(3.8)	2,355	7.5	1,542	(6.2)
September 30, 2012	35,268	(1.9)	2,203	72.6	2,191	100.1	1,644	62.7

Note: Comprehensive Income

Six months ended September 30, 2013: 2,206 million yen / 205.5%

Six months ended September 30, 2012: 722 million yen / -%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2013	69.11	–
September 30, 2012	69.66	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2013	87,832	62,969	71.7
March 31, 2013	95,452	66,033	69.2

Reference: Shareholders' Equity As of September 30, 2013: 62,969 million yen As of March 31, 2013: 66,033 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	–	0.00	–	55.00	55.00
Fiscal year ending March 31, 2014	–	0.00			
Fiscal year ending March 31, 2014 (Forecasts)			–	60.00	60.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2014	82,000	8.7	5,700	16.1	5,950	7.9	3,850	(20.2)	176.27

Note: Revisions to the forecasts in the current quarter: Yes

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of peculiar accounting methods for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- Changes due to revisions to accounting standards and other regulations: None
 - Changes due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2013	23,703,166 shares
As of March 31, 2013	23,703,166 shares

- b. Number of treasury stock at the end of the period

As of September 30, 2013	2,340,242 shares
As of March 31, 2013	594,498 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2013	22,316,841 shares
Six months ended September 30, 2012	23,604,549 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of the forecasts, and other special matters

The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company. These statements do not purport that the Company pledges to achieve such performance. Actual business may differ substantially from the forecasts due to various factors in the future.

Attached Materials

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1. Qualitative Information regarding Consolidated Results for the Six Months

(1) Explanation on consolidated operating results

The Riso Group (RISO) has been following its medium-term management policy of expanding sales channels and gaining new customers worldwide.

In RISO's consolidated operating results for the current six months, continuing on from the first three months sales grew in the current three months both domestically and overseas. Meanwhile, selling, general and administrative expenses increased due to the effect of exchange rates, increase of the expenses associated with the establishment and relocation of the development bases, increase of the labor cost, etc. Consequently, operating income was lower year on year. As a result, net sales were 39,057 million yen (up 10.7% year on year), operating income was 2,119 million yen (down 3.8% year on year), ordinary income was 2,355 million yen (up 7.5% year on year), and net income amounted to 1,542 million yen (down 6.2% year on year).

The average exchange rates during the current consolidated six months period were 98.85 yen (a 19.44 yen depreciation of the yen year on year) for the US dollar and 130.00 yen (a 29.36 yen depreciation of the yen year on year) for the euro. Results by segment are as follows:

a. Printing equipment business

RISO, as part of its printing equipment business, engages in the inkjet business, principally with its ORPHIS high-speed color printers, as well as the digital duplicating business, consisting mainly of its RISOGRAPH digital duplicators. In the inkjet business, sales grew both domestically and overseas to cover the decrease in the digital duplicating business. Net sales in the printing equipment business were 38,310 million yen (up 11.0% year on year), also due to the effect of exchange rates. Operating income, meanwhile, was 1,885 million yen (down 3.9% year on year) as a result of increases in selling, general and administrative expenses.

Japan

Although sales fell in the digital duplicating business, in the inkjet business the steady installation of hardware along with an increase in sales of consumables resulted in net sales of 22,807 million yen (up 1.4% year on year). Operating income, meanwhile, was 2,243 million yen (down 10.0% year on year) due to an increase in selling, general and administrative expenses.

The Americas

Hardware sales grew in the inkjet business and overall net sales increased to 2,877 million yen (up 27.1% year on year), also due to the effect of exchange rates. Meanwhile, operating loss was 245 million yen (352 million yen operating loss in the same period of the previous year).

Europe

In the inkjet business, hardware sales were strong mainly in developed countries, while in the digital duplicating business sales grew primarily in emerging countries such as Africa. Net sales were substantially higher than the previous year's levels, also due to the effect of exchange rates, and reached 7,365 million yen (up 35.6% year on year). An operating loss of 206 million yen (336 million yen operating loss in the same period of the previous year) was posted, due to an increase in selling, general and administrative expenses.

Asia

Although the installation of hardware progressed in the inkjet business, sales decreased mainly in China and Thailand in the digital duplicating business. Due to the effect of exchange rates, net sales exceeded the previous year's levels and reached 5,260 million yen (up 21.6% year on year). Operating income, meanwhile, was 93 million yen (down 40.4% year on year) due to an increase in selling, general and administrative expenses.

b. Real estate business and others

RISO operates a real estate business focusing on leasing of the Omotesando Building and Shin-Osaka

Building as well as a print creating business, mainly engaged in the print service business.

Net sales in the real estate and others were 746 million yen (down 1.1% year on year), and operating income was 233 million yen (down 3.1% year on year).

(2) Explanation on consolidated financial position

The financial position of RISO at the end of the current quarter compared to the end of the previous fiscal year is as follows.

Total assets fell 7,619 million yen to 87,832 million yen, while net assets declined 3,064 million yen to 62,969 million yen. As a result, the equity ratio increased 2.5 points to 71.7%.

The main changes in the assets portion include an increase of 3,939 million yen in buildings and structures, in contrast to decreases of 2,999 million yen in cash and deposits, 3,036 million yen in notes and accounts receivable-trade, 4,782 million yen in short-term investment securities and 2,430 million yen in construction in progress. In the liabilities portion, there were decreases of 1,688 million yen in notes and accounts payable-trade and 1,263 million yen in income taxes payable.

(Cash flows)

Net cash provided by operating activities was 742 million yen (down 79.2% year on year). This is mainly attributable to income before income taxes and minority interests of 2,399 million yen, depreciation and amortization of 1,472 million yen, foreign exchange gains of 350 million yen, a decrease in notes and accounts receivable-trade of 3,419 million yen, an increase in inventories of 472 million yen, a decrease in notes and accounts payable-trade of 1,969 million yen, a decrease in accounts payable-other of 1,268 million yen and income taxes paid of 2,280 million yen.

Net cash used in investing activities was 2,824 million yen (up 25.6% year on year). This is primarily the result of the expenses of 720 million yen for payments into time deposits, 2,919 million yen for the purchase of property, plant and equipment, 444 million yen for the purchase of intangible assets, and proceeds from withdrawal of time deposits of 1,275 million yen.

Net cash used in financing activities was 5,450 million yen (up 230.9% year on year). The result mainly reflects net decrease of 148 million yen in short-term loans payable, an expense of 3,999 million yen for the purchase of treasury stock and payments of 1,269 million yen for cash dividends.

(3) Explanation on future estimates information pertaining to consolidated earnings forecasts

The consolidated forecasts for the fiscal year ending March 31, 2014, which were released on May 7, 2013, are changed as follows.

Changes to the full-year forecast figures for the fiscal year ending March 31, 2014
(April 1, 2013 to March 31, 2014)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecasts	79,300	5,400	5,500	3,600	155.79 yen
Revised forecasts	82,000	5,700	5,950	3,850	176.27 yen
Difference	2,700	300	450	250	–
Percentage change	3.4	5.6	8.2	6.9	–
(Reference) Actual results of the fiscal year ended March 31, 2013	75,455	4,910	5,512	4,827	205.80 yen

Reasons for changes

In order to reflect the operating results for the current six months and the effect of exchange rates and other factors in the business environment, full-year net sales, operating income, ordinary income and net income were each revised upwards.

Foreign exchange rates for the full year in the outlook for the projected results are assumed to be 97 yen and 128 yen for the US dollar and the euro, respectively.

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	13,901	10,901
Notes and accounts receivable-trade	14,936	11,900
Short-term investment securities	8,987	4,205
Merchandise and finished goods	9,304	9,980
Work in process	486	475
Raw materials and supplies	2,421	2,607
Deferred tax assets	2,045	2,091
Other	1,638	1,875
Allowance for doubtful accounts	(291)	(320)
Total current assets	53,429	43,716
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	17,914	22,028
Accumulated depreciation	(12,290)	(12,465)
Buildings and structures, net	5,624	9,563
Machinery, equipment and vehicles	7,547	7,693
Accumulated depreciation	(6,523)	(6,673)
Machinery, equipment and vehicles, net	1,024	1,019
Tools, furniture and fixtures	14,940	14,812
Accumulated depreciation	(14,051)	(13,792)
Tools, furniture and fixtures, net	889	1,019
Land	17,129	17,123
Lease assets	263	323
Accumulated depreciation	(124)	(137)
Lease assets, net	138	185
Construction in progress	2,978	547
Other	10,021	9,906
Accumulated depreciation	(7,483)	(6,712)
Other, net	2,537	3,194
Total property, plant and equipment	30,323	32,654
Intangible assets		
Goodwill	1,344	1,011
Software	2,404	2,261
Other	1,887	1,836
Total intangible assets	5,636	5,109
Investments and other assets		
Investment securities	1,824	1,999
Long-term loans receivable	190	195
Deferred tax assets	898	988
Other	3,207	3,227
Allowance for doubtful accounts	(58)	(58)
Total investments and other assets	6,062	6,352
Total noncurrent assets	42,022	44,116
Total assets	95,452	87,832

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,149	9,460
Short-term loans payable	2,839	2,817
Current portion of long-term loans payable	2	2
Income taxes payable	2,384	1,121
Provision for bonuses	1,631	1,642
Provision for directors' bonuses	66	40
Provision for product warranties	48	47
Other	6,847	5,340
Total current liabilities	24,969	20,472
Noncurrent liabilities		
Long-term loans payable	35	34
Provision for retirement benefits	3,807	3,792
Other	605	563
Total noncurrent liabilities	4,448	4,390
Total liabilities	29,418	24,863
Net assets		
Shareholders' equity		
Capital stock	14,114	14,114
Capital surplus	14,779	14,779
Retained earnings	39,159	39,431
Treasury stock	(935)	(4,935)
Total shareholders' equity	67,118	63,389
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	249	393
Foreign currency translation adjustment	(1,334)	(814)
Total accumulated other comprehensive income	(1,085)	(420)
Total net assets	66,033	62,969
Total liabilities and net assets	95,452	87,832

(2) Consolidated quarterly statements of (comprehensive) income**(Consolidated quarterly statements of income)**

	(Millions of yen)	
	Second Quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second Quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Net sales	35,268	39,057
Cost of sales	15,209	17,077
Gross profit	20,058	21,979
Selling, general and administrative expenses	17,855	19,860
Operating income	2,203	2,119
Non-operating income		
Interest income	71	82
Dividends income	21	23
Foreign exchange gains	-	154
Other	210	125
Total non-operating income	303	385
Non-operating expenses		
Interest expenses	27	34
Foreign exchange losses	218	-
Loss on disposal of fixed assets	18	39
Other	51	76
Total non-operating expenses	315	149
Ordinary income	2,191	2,355
Extraordinary income		
Gain on transfer of goodwill	21	44
Total extraordinary income	21	44
Income before income taxes and minority interests	2,213	2,399
Income taxes	569	857
Income before minority interests	1,644	1,542
Net income	1,644	1,542

(Consolidated quarterly statements of comprehensive income)

	(Millions of yen)	
	Second quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Income before minority interests	1,644	1,542
Other comprehensive income		
Valuation difference on available-for-sale securities	(208)	144
Foreign currency translation adjustment	(713)	520
Total other comprehensive income	(921)	664
Comprehensive income	722	2,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	722	2,206
Comprehensive income attributable to minority interests	-	-

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Second quarter ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second quarter ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,213	2,399
Depreciation and amortization	1,138	1,472
Amortization of goodwill	333	333
Increase (decrease) in provision for retirement benefits	36	(15)
Increase (decrease) in allowance for doubtful accounts	(42)	21
Interest and dividends income	(93)	(105)
Interest expenses	27	34
Foreign exchange losses (gains)	43	(350)
Decrease (increase) in notes and accounts receivable-trade	2,412	3,419
Decrease (increase) in inventories	(734)	(472)
Increase (decrease) in notes and accounts payable-trade	(219)	(1,969)
Increase (decrease) in accounts payable-other	(1,184)	(1,268)
Other, net	(268)	(545)
Subtotal	3,662	2,953
Interest and dividends income received	91	103
Interest expenses paid	(33)	(34)
Income taxes paid	(163)	(2,280)
Income taxes refund	2	-
Net cash provided by (used in) operating activities	3,560	742
Net cash provided by (used in) investing activities		
Payments into time deposits	(670)	(720)
Proceeds from withdrawal of time deposits	979	1,275
Purchase of property, plant and equipment	(2,227)	(2,919)
Proceeds from sales of property, plant and equipment	18	9
Purchase of intangible assets	(381)	(444)
Collection of loans receivable	1	1
Other, net	31	(27)
Net cash provided by (used in) investing activities	(2,248)	(2,824)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	354	(148)
Repayment of long-term loans payable	(1)	(1)
Purchase of treasury stock	(999)	(3,999)
Cash dividends paid	(964)	(1,269)
Other, net	(35)	(30)
Net cash provided by (used in) financing activities	(1,647)	(5,450)
Effect of exchange rate change on cash and cash equivalents	(371)	295
Net increase (decrease) in cash and cash equivalents	(705)	(7,236)
Cash and cash equivalents at beginning of period	20,976	21,612
Cash and cash equivalents at end of period	20,271	14,376

(4) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

The Company purchased treasury stock during the current second quarter. As a result, treasury stock increased 3,999 million yen during the second quarter and amounted to 4,935 million yen at the end of the current second quarter.

(Segment information)

1. Second quarter ended September 30, 2012 (from April 1, 2012 to September 30, 2012)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,491	2,263	5,432	4,325	34,513	754	35,268
Segment income (loss)	2,493	(352)	(336)	157	1,961	241	2,203

Notes: 1. Real estate business and others includes real estate business, print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas U.S. and Canada
- (2) Europe Germany, United Kingdom and France
- (3) Asia China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.

2. Second quarter ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

Information on sales and income or loss for each reportable segment

(Millions of yen)

	Printing equipment business					Real estate business and others	Total
	Japan	The Americas	Europe	Asia	Total		
Sales	22,807	2,877	7,365	5,260	38,310	746	39,057
Segment income (loss)	2,243	(245)	(206)	93	1,885	233	2,119

Notes: 1. Real estate business and others includes real estate business and print creating business.

2. The main countries and areas included in each segment for the printing equipment business are as follows:

- (1) The Americas U.S. and Canada
- (2) Europe Germany, United Kingdom and France
- (3) Asia China, Thailand, South Korea and India

3. The total amount of segment income (loss) is same as the operating income amount on the consolidated quarterly statement of income.